中油燃氣集團有限公司*

CHINA OIL AND GAS GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 603)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of China Oil And Gas Group Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2015 (the "Period").

The unaudited condensed consolidated financial information for the Period has not been audited but has been reviewed by the Company's audit committee (the "Audit Committee").

FINANCIAL HIGHLIGHTS

- Revenue was HK$3,858 million, representing an increase of 12% over the last corresponding period.

- Sales of natural gas was 1,318 million m^3, representing an increase of 8% over the last corresponding period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 *HK$'000* (unaudited)	2014 *HK$'000* (unaudited)
Revenue	*4*	**3,857,615**	3,447,287
Cost of sales		**(3,433,429)**	(2,846,419)
Gross profit		**424,186**	600,868
Other income		**14,209**	17,973
Other (losses)/gains, net		**(2,424)**	40,320
Selling and distribution costs		**(28,858)**	(26,824)
Administrative expenses		**(155,519)**	(110,640)
Operating profit		**251,594**	521,697
Interest income		**57,302**	66,153
Finance costs		**(81,850)**	(71,792)
Share of result of joint venture		**(2,584)**	6,758
Share of result of associate		**2**	(778)
Profit before taxation		**224,464**	522,038
Taxation	*5*	**(53,511)**	(111,948)
Profit for the period		**170,953**	410,090
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(122,718)**	–
Fair value changes from available-for-sale financial assets		**7,862**	(5,082)
Total comprehensive income for the period		**56,097**	405,008
Profit for the period attributable to:			
Owners of the Company		**89,694**	209,954
Non-controlling interests		**81,259**	200,136
		170,953	410,090
Total comprehensive income attributable to:			
Owners of the Company		**(25,162)**	204,872
Non-controlling interests		**81,259**	200,136
		56,097	405,008
		HK cents	*HK cents*
Earnings per share	*6*		
– Basic		**1.822**	4.250
– Diluted		**1.821**	4.225

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30.6.2015 HK$'000 (unaudited)	31.12.2014 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**6,933,965**	6,883,531
Exploration and evaluation assets		**211,818**	222,655
Land use rights		**267,168**	253,663
Intangible assets		**1,071,423**	1,071,912
Interest in associate		**11,764**	4,650
Interest in joint venture		**47,875**	50,459
Available-for-sale financial assets		**819,284**	585,211
Other non-current assets		**1,054,901**	968,436
Deferred tax assets		**25,421**	5,643
		10,443,619	10,046,160
Current assets			
Inventories		**146,373**	195,603
Deposits, trade and other receivables	*8*	**1,610,083**	1,474,664
Financial assets at fair value through profit or loss		**48,570**	53,859
Current tax recoverable		**18,884**	31,867
Time deposits with maturity over three months		**643,890**	973,739
Cash and cash equivalents		**2,369,353**	2,691,557
		4,837,153	5,421,289
Current liabilities			
Trade and other payables	*9*	**1,618,423**	1,680,480
Receipt in advance		**985,142**	1,229,109
Short-term borrowings		**1,155,339**	808,379
Current tax payable		**123,268**	137,664
		3,882,172	3,855,632
Net current assets		**954,981**	1,565,657
Total assets less current liabilities		**11,398,600**	11,611,817

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30 June 2015

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Non-current liabilities		
Senior notes	**4,985,293**	4,978,675
Deferred tax liabilities	**376,188**	419,090
Other non-current liabilities	**126,686**	121,303
Total non-current liabilities	**5,488,167**	5,519,068
Net assets	**5,910,433**	6,092,749
Equity		
Equity attributable to owners of the Company		
Share capital	**58,257**	52,996
Reserves	**3,409,291**	3,548,111
	3,467,548	3,601,107
Non-controlling interests	**2,442,885**	2,491,642
Total equity	**5,910,433**	6,092,749

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

China Oil And Gas Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business in Hong Kong is at Suite 2805, 28th Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong. The Company is an investment holding company. Its subsidiaries are principally engaging in investment in energy related business in various regions in the People's Republic of China ("PRC") and West Central Alberta, Canada, including but not limited to 1) piped city gas business, pipeline design and construction; 2) transportation, distribution and sales of compressed natural gas ("CNG") and liquefied natural gas ("LNG"); and 3) development, production and sales of oil and gas and other upstream energy resources. The Company and its subsidiaries are collectively referred to the "Group".

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. These interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs issued by the HKICPA:

Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions
Annual Improvements Project	Annual Improvements to 2010-2012 Cycle
Annual Improvements Project	Annual Improvements to 2011-2013 Cycle

The application of the above new, revised or amended standards and interpretations have no material impact on the results and the financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for the purpose of resources allocation and assessment of performance focuses more specifically on sales of natural gas, gas pipeline construction and connection; and exploitation and production of crude oil and natural gas.

The Group has presented the following three reportable segments for the six months ended 30 June 2015:

- sales and distribution of natural gas and other related products
- gas pipeline construction and connection
- exploitation and production of crude oil and natural gas

Information regarding the Group's reportable segments as provided to the executive directors for the purpose of resources allocation and assessment of segment performance for the six months ended 30 June 2015 and 2014 is set out below:

Business Segments

For the six months ended 30 June 2015:

	Sales and distribution of natural gas and other related products *HK$'000*	Gas pipeline construction and connection *HK$'000*	Exploitation and production of crude oil and natural gas *HK$'000*	Group *HK$'000*
Segment revenue and results				
Sales to external customers	**3,201,711**	**413,211**	**242,693**	**3,857,615**
Segment results	**73,165**	**199,605**	**18,943**	**291,713**
Interest income				**57,302**
Other losses, net				**(2,424)**
Finance costs				**(81,850)**
Share of result of joint venture				**(2,584)**
Share of result of associate				**2**
Unallocated corporate expenses				**(37,695)**
Profit before taxation				**224,464**
Taxation				**(53,511)**
Profit for the period				**170,953**

For the six months ended 30 June 2014:

	Sales and distribution of natural gas and other related products *HK$'000*	Gas pipeline construction and connection *HK$'000*	Exploitation and production of crude oil and natural gas *HK$'000*	Group *HK$'000*
Segment revenue and results				
Sales to external customers	2,996,825	450,462	–	3,447,287
Segment results	317,517	207,800	–	525,317
Interest income				66,153
Other gains, net				40,320
Finance costs				(71,792)
Share of result of joint venture				6,758
Share of result of associate				(778)
Unallocated corporate expenses				(43,940)
Profit before taxation				522,038
Taxation				(111,948)
Profit for the period				410,090

Analysis of the Group's assets by geographical market is set out below:

Assets

	At 30.6.2015 Total Assets *HK$'000*	At 31.12.2014 Total Assets *HK$'000*
Hong Kong	**1,280,114**	2,094,294
Mainland China	**10,507,545**	10,027,192
Canada	**2,540,199**	2,646,141
Total	**14,327,858**	14,767,627
Unallocated		
Interest in associate	**11,764**	4,650
Interest in joint venture	**47,875**	50,459
Deferred tax assets	**25,421**	5,643
Available-for-sale financial assets	**819,284**	585,211
Financial assets at fair value through profit or loss	**48,570**	53,859
Total assets	**15,280,772**	15,467,449

5. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax for the Period (2014: Nil).

In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance note, subsidiaries in Mainland China are subject to the PRC corporate income tax rate at 25% (2014: 25%). Certain subsidiaries are entitled to tax concessions and tax relief whereby the profits of those subsidiaries are taxed at a preferential income tax rate of 15% (2014: 15%).

Taxation on overseas (other than Hong Kong and PRC) profits has been calculated on the estimated assessable profit for the year at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

	Unaudited (6 months) 1.1-30.6.2015	Unaudited (6 months) 1.1-30.6.2014
	HK$'000	*HK$'000*
Current tax:		
PRC corporate income tax	**82,219**	107,908
Overseas taxation	**5,276**	–
	87,495	107,908
Deferred tax	**(33,984)**	4,040
Taxation	**53,511**	111,948

6. EARNINGS PER SHARE

(a) The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company of approximately HK$89,694,000 (six months ended 30 June 2014: HK$209,954,000) and weighted average number of ordinary shares in issue less shares held under share award scheme during the Period of approximately 4,923,182,000 shares (six months ended 30 June 2014: 4,940,485,000 shares).

(b) Diluted earnings per share is calculated based on the profit attributable to owners of the Company of approximately HK$89,694,000 (six months ended 30 June 2014: HK$209,954,000), and the weighted average number of ordinary shares of approximately 4,925,306,000 shares (six months ended 30 June 2014: 4,969,073,000 shares) which is the weighted average number of ordinary shares in issue less shares held under share award scheme during the Period plus the weighted average number of dilutive potential ordinary shares in respect of share options of approximately 2,124,000 shares (six months ended 30 June 2014: 28,588,000 shares) deemed to be issued at no consideration if all outstanding share options granted had been exercised.

7. DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2015 (2014: Nil). During the Period, a dividend in form of new shares of HK$0.01 each per share amounting to HK$5,296,000 was paid to the shareholders as the final dividend for 2014 on the basis of one bonus share for every ten shares held (2014: HK cent 0.72 per share as the final dividend for 2013, amounting to HK$36,005,000).

8. DEPOSITS, TRADE AND OTHER RECEIVABLES

	Unaudited At 30.6.2015 *HK$'000*	Audited At 31.12.2014 *HK$'000*
Trade receivables	**809,541**	758,349
Other receivables, deposits and prepayments	**800,542**	716,315
	1,610,083	1,474,664

The ageing analysis of trade receivables is as follows:

Current to 90 days	**685,886**	678,647
91-180 days	**51,161**	29,129
Over 180 days	**72,494**	50,573
	809,541	758,349

9. TRADE AND OTHER PAYABLES

	Unaudited At 30.6.2015 *HK$'000*	Audited At 31.12.2014 *HK$'000*
Trade payables	**616,175**	662,265
Other payables and accruals	**1,002,248**	1,018,215
	1,618,423	1,680,480

The ageing analysis of trade payables is as follows:

Current to 90 days	**511,411**	554,963
91-180 days	**45,648**	37,651
Over 180 days	**59,116**	69,651
	616,175	662,265

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group has experienced an extraordinarily tough first half of 2015. After the PRC National Development and Reform Commission ("NDRC") increased the city gate natural gas price, the Xining Government in Qinghai Province has not instantly approved to adjust the downstream tariff. This has led the Group to suffer substantial margin squeeze of that area. However, the Xining Government in Qinghai Province has issued its approval to pass through the natural gas price adjustments partially to the designated users with effect from 15 March 2015. Moreover, the oil price has been dropped significantly by the end of 2014, which led to a decrease of the price competitiveness on the natural gas sales. Despite the above difficulties, the Group has recorded a total revenue of HK$3,858 million during first half of 2015, with an increase of 12% compared with HK$3,447 million in 2014. With the aforesaid difficulties, profit attributable to the owners of the Group during the first half of 2015 was HK$90 million, and HK$210 million for the first half of 2014. As of 30 June 2015, total assets of the Group amounted to HK$15.281 billion; net asset value was HK$5,910 million.

NATURAL GAS BUSINESS

Under the natural gas business, the Group has established a total of 111 natural gas project companies in 15 provinces and autonomous regions in China with 64 concession rights as at 30 June 2015.

Sales and distribution of natural gas and other related products

Revenue from the sales and distribution of natural gas and other related products amounted to HK$3,202 million, representing a year-on-year increase of 7% which accounted for 83% of the total revenue. During the Period, total gas sales volume was 1,318 million m^3 (2014: 1,219 million m^3), representing a year-on-year increase of 8%. Amongst the total gas sales volume, gas consumption by residential users was 362 million m^3 (2014: 320 million m^3); consumption by industrial and commercial users was 736 million m^3 (2014: 709 million m^3); consumption by gas stations was 220 million m^3 (2014: 190 million m^3), representing a year-on-year increase of 13%, 4% and 16% respectively. Benefited from the development of the Group's high pressure natural gas branch pipelines, gas transmission volume for the Period reached 247 million m^3 (2014: 243 million m^3), representing a year-on-year increase of 2%.

Gas pipeline construction and connection income

The Group has completed new connections to 66,559 residential users and 289 industrial, commercial and other users during the Period, with accumulated connections of the Group of approximately 903,400 residential users and 6,840 industrial, commercial and other users, representing an increase of 8% and 4% respectively as compared to the end of 2014. It is anticipated that the number of new users will maintain stable growth in the future. With the increased number of users, the Group will continue to trigger more channels for the sales of natural gas and provide services to more natural gas end-users, which will lay a solid foundation for the sales of natural gas by the Group in the future.

Development of natural gas distribution business

In the first half of 2015, centered on the existing scope of businesses, the Group conducted intensive research and development in respect of the PRC periphery of key natural gas pipelines. At the end of December in 2014, the Group entered into an agreement with MI Energy Group on cooperation to carry out the comprehensive development of Shanxi Linxing Block Coalbed Methane Integrated Utilization Project. In June 2015, the Group signed a Coalbed Gas Supply Agreement with Sinopec East China, resulting in the coordinated development of coalbed gas and natural gas business from upstream to middle and downstream region. In the first half of 2015, the Group has successfully obtained city gas concession rights in Anren County, Chenzhou City, Hunan Province, Taizhou Xinghua Economic Development Zone, Jiangsu Province, Shenlun Town, Taizhou City, Jiangsu Province and the whole Lishui District, Nanjing City. On 30 June 2015, the Group owned a high pressure pipeline network of 1,053 km, which pushed the development of downstream projects effectively. The city and courtyard pipeline network reached an aggregate length of 5,967 km. The Group will make persistent efforts to obtain new gas projects and promote the development of natural gas distribution business.

Exploitation and production of crude oil and natural gas business

In the first half of 2015, the Group continued the research and development of business of light crude oil and natural gas in Canada, expanded production base, reserves and working interests by ways of acquisitions and contracting.

According to a reserve report prepared by GLJ Petroleum Consultants, the Group has proven reserves of approximately 18.2 million barrels of oil equivalent and proven plus probable reserves of approximately 25.2 million barrels of oil equivalent (63% is light oil and NGLs, 37% is natural gas) as of 31 December 2014.

In the first half of 2015, the average daily production of the Group was 5,638 barrels of oil equivalent (64% is light oil and NGLs, 36% is natural gas). The average operating netback value was CAD23.02 per barrel of oil equivalent.

Business Prospect

2015 is a year for China moving towards “The Thirteenth Five” Plan and China’s steady growing “new normality” economy continued its strategy development in an environmental friendly and sustainable manner. Many national policies give a new and more dynamic prospect for the natural gas market: the rapid development of China’s urbanization brings more opportunities for the gas field market; the consumption-oriented new economic development mode brings growth to the natural gas sales; “One Belt One Road” provides a variety of natural gas supply chain; the concept of “Internet+” changes the management and operation mode of the new era; the national energy policies encourage the use of clean energy, which provides unprecedented opportunities for the natural gas market.

In 2015, the international economic fluctuates and the decline of oil and gas prices cause great impact on global energy industry. However, the indicators of natural gas market in China remain steady growth under macro environment of national economic development. China's National Development and Reform Commission (NDRC) released the operation situation of the natural gas as at 17 July 2015 among which the production of natural gas is 65.6 billion m^3, representing an increase of 3.8% as compared with the same period of last year; the import of natural gas is 29.3 billion m^3, representing an increase of 3.5%; the consumption of natural gas is 90.6 billion m^3, representing an increase of 2.1%. The Group's sales and output of natural gas in the first half of 2015 increased by 8% and 2% respectively. Cumulative connections to residents, commercial and other users increased by 8% and 4% respectively. The series of data make the Group to remain optimistic to China's natural gas distribution business and being full of confidence in the future.

The Group's daily output of the mining and production of crude oil and the business of natural gas in Canada raised steadily in the past six months. The Group will actively tap its internal potentials, control spending, save cost, improve efficiency and reduce the adverse effects caused by the decline of oil prices. At the same time, the Group will consider to reduce the drilling activity under the environment of low oil prices and will expand reserve through acquisitions, joint and other forms so as to keep output growth as planned.

Looking forward, the Group will continue to maintain its operating advantages in the upper, middle and lower sectors with the customers as the core, insisting on benefit oriented and sustainable development as focus so as to create value for its shareholders.

FINANCIAL REVIEW

For the six months ended 30 June 2015, the Group recorded revenue of HK$3,858 million, a growth of 12% over 2014. The Group's cost of sales was HK$3,433 million (2014: HK$2,846 million), representing an increase of 21%. Due to the government of Qinghai Province has not instantly approved to adjust the downstream tariff as instructed by NDRC, the Group's revenue growth is less than the growth of cost of sales. However, the Xining government has issued its approval to pass through part of the rising cost due to the natural gas price adjustments to the designated users with effect from 15 March 2015.

The total revenue combining by three segments, namely (1) sales and distribution of natural gas and other related products (2) gas pipeline construction and connection and (3) exploitation and production of crude oil and natural gas, amounted to HK$3,202 million, HK$413 million and HK$243 million respectively and representing a year-to-year increase of 7%, and decrease of 8% and exploitation and production of crude oil and natural gas was from the business in Canada acquired in June 2014. Sales and distribution of natural gas continued to be the Group's main source of income and constituted 83% of the total revenue (2014: 87%).

The Group's selling and distribution costs increased by 7% to approximately HK$29 million from approximately HK$27 million in 2014. The increase was in line with the Group's new acquisition during last year. The Group placed great emphasis on the effectiveness and appropriateness of sales strategies and successfully controlled its selling and distribution costs at 0.7% (2014: 0.8%) of the total revenue.

2014 was a year of enhancing the Group's management capability, during which a sound corporate system was established and the corporate governance structure was improved. In 2015, the Group continued to promote the construction of corporate governance and internal control standard, and the corporate governance level was raised effectively. During the Period, the administrative expenses of the Group was HK$155 million. With stringent cost control and improvement in efficiency, the Group successfully curbed its administrative expenses at 4% of total revenue, as compared to 3% during the first half of 2014.

Finance costs increased from HK$72 million of the corresponding period last year to current period's HK$82 million, which was mainly constituted by coupon interests on our senior notes issued on 25 April 2013 and 11 November 2014. The Group's weighted average cost of all indebtedness (including bank borrowings, other borrowings and senior notes) as at 30 June 2015 was 5.04% (2014: 5.1%). Profit attributable to owners of the Company was HK$90 million for the period ended 30 June 2015 (2014: HK$210 million).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

It is the Group's policy to use the cash flow generated from operations and appropriate level of borrowings as the principal source of fund to finance major expansion and acquisition. As at 30 June 2015, the Group's total indebtedness (including bank borrowings, other borrowings and senior notes) amounted to HK$6,141 million (31 December 2014: HK$5,787 million).

As at 30 June 2015, the Group had cash and cash equivalents and time deposits with maturity over three months of approximately HK$3,013 million (31 December 2014: HK$3,665 million). Total assets of HK$15,281 million (31 December 2014: HK$15,467 million), and among which current assets were HK$4,837 million (31 December 2014: HK$5,421 million). Total liabilities of the Group were HK$9,370 million (31 December 2014: HK$9,375 million), and among which current liabilities were HK$3,882 million (31 December 2014: HK$3,856 million).

The Group's debt-to-asset ratio, measured on the basis of total indebtedness divided by total assets was 40% (31 December 2014: 37%). The current ratio (current assets divided by current liabilities) of the Group was 1.25 times (31 December 2014: 1.41 times). EBITDA to interest cover ratio was at healthy level. The financial and liquidity of the Group is at a very healthy and stable position.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group employed a total of approximately 3,700 (31 December 2014: 3,828) full-time employees, where mostly were stationed in the PRC. Total staff cost for the Period amounted to HK$134 million (2014: HK$130 million). The Group remunerates its employees based on their performance, working experience and the prevailing market wage level. The total remuneration of the employees consisted of basic salary, cash bonus and share-based incentives.

PLEDGE OF ASSETS

As at 30 June 2015, no assets of the Group has been pledged.

CONTINGENT LIABILITIES

The Group has no material or contingent liability as at 30 June 2015.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The financial risk management of the Group is the responsibility of the Group's treasury function at the head office in Hong Kong. One of the major objectives of the Group's treasury policies is to manage its exposure to fluctuation in interest rates and foreign currency exchange rates. It is the Group's policy not to engage in speculative activities.

The Group conducts its business primarily in Renminbi. The Group's certain bank deposits are denominated in Hong Kong dollars, Renminbi and United States dollars, and the Group's offshore bank loans and senior notes are denominated in Renminbi and United States dollars.

The Group does not have foreign currency hedging policy. However, the Group monitors its foreign currency exposure closely and may, depending on the circumstances and trend of foreign currencies, consider adopting a significant foreign currency hedging policy in the future.

LITIGATION

As at 30 June 2015, the Group has no litigation.

CAPITAL STRUCTURE

During the Period, 529,607,621 shares had been issued under the bonus issue of one bonus share for every ten shares to those shareholders whose names appear on the register of members of the Company on 2 June 2015 as the final dividend for 2014. As at 30 June 2015, the issued share capital of the Company was HK$58,256,838.34, divided into 5,825,683,834 shares with a nominal value of HK$0.01 each.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2015 (30 June 2014: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2015, other than those purchased by its trustee for the Restricted Share Award Scheme adopted by the Board on 4 November 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, the Company confirmed that all Directors have complied with the required standards set out in the Model Code throughout the Period.

CORPORATE GOVERNANCE PRACTICES

The Company has all along committed to fulfilling its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the six months ended 30 June 2015. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the six months ended 30 June 2015, the Company was in compliance with the relevant code provisions set out in the CG Code except for the deviations as explained below.

Code provision A.2.1 of the CG Code provides that the responsibilities between chairman and chief executive officer should be divided. Mr. XU Tie-liang is the Chairman and the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent nonexecutive Directors.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors are not appointed for a specific term, but they are subject to retirement from office by rotation at least once every three years in accordance with the Bye-Laws of the Company (the "Bye-Laws").

Code provision D.1.4 of the CG Code requires that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors (except for Mr. XU Tie-liang). However, the Directors shall be subject to retirement by rotation in accordance with the Bye-Laws. In addition, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Save as the aforesaid and in the opinion of the Directors, the Company has met all relevant code provisions as set out in the CG Code during the six months ended 30 June 2015.

AUDIT COMMITTEE

The Company established the Audit Committee in 1998 with written terms of reference in compliance with the CG Code, which is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and the internal control procedures.

The Audit Committee comprises three independent non-executive Directors, namely Mr. LI Yunlong (as chairman), Mr. SHI Xun-zhi and Mr. WANG Guangtian. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2015.

By Order of the Board
China Oil And Gas Group Limited
Chan Yuen Ying, Stella
Company Secretary

Hong Kong, 27 August 2015

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Xu Tie-liang (Chairman and Chief Executive Officer), Mr. Zhu Yuan, Ms. Guan Yijun and Mr. Cheung Shing; and three independent non-executive Directors, namely Mr. Li Yunlong, Mr. Shi Xun-zhi and Mr. Wang Guangtian.

* *For identification purpose only*